30 ACQUISITIONS AND DISPOSALS

Year ended 31 December 2005

a) Turbogás

On 26 January 2005 the Company completed the purchase of an additional 5% in Turbogás, a 990 MW CCGT power station in Portugal, from Koch Transporttechnik. Following the acquisition of a 75% stake on 4 November 2004, the date from which the results of Turbogás have been consolidated using the acquisition method.

On 16 March 2005 the Company sold a 20% stake in Turbogás to EdP pursuant to an option agreement. This transaction leaves the Company with a 60% interest in Turbogás.

The investment has been accounted for as a subsidiary throughout 2005.

b) Tri Energy Company Limited

On 3 February 2005 IPM Eagle LLP, a 70% subsidiary of International Power plc, acquired a temporary 25% interest in Tri Energy Company Limited from Edison Mission Energy. Tri Energy is a 700 MW gas powered plant in Thailand. Pursuant to a call option agreement of the same date, on 9 March 2005 this stake was sold, 50% each, to Ratchaburi Gas Company Limited and Texaco Thailand Energy Company I. The investment was accounted for as an asset available for sale.

c) Uch Power Limited

On 9 February 2005 the Company completed the purchase from E.ON UK plc of a 40% stake in Uch Power Limited, the owner of a 586 MW gas fired plant in Pakistan. The investment has been accounted for as an associate since its acquisition.

d) Italian Wind

A 50% interest in Italian Wind was acquired by IPM Eagle LLP as part of the Edison Mission Energy portfolio on 17 December 2004. The owner of the other 50% of the project exercised its contractual right of first refusal to acquire the stake and a sale was completed on 31 March 2005. The investment was accounted for as an asset available for sale.

e) EnergyAustralia

On 7 July 2005 International Power Australia, a wholly owned subsidiary of International Power plc, completed the retail partnership agreement with EnergyAustralia. The consideration was A$60 million (£25 million) for a 50% share of the partnership, which is accounted for as a joint venture.

f) Saltend

On 28 July 2005 IPM Eagle LLP completed the purchase of 100% of the issued share capital of Saltend Cogeneration Company Limited and Saltend Operations Company Limited, the owner and operator respectively of a 1,200 MW CCGT power plant in Hull, from Calpine Corporation, for a total consideration of £495 million. The results of the two companies have been consolidated as subsidiaries from this date using the acquisition method.

30 ACQUISITIONS AND DISPOSALS continued

The details of the transaction, results and provisional fair value adjustments arising from the change in ownership are shown below:

	Acquiree's carrying amount £m	Fair value adjustments £m	Fair value to the Group £m
Intangible assets	–	234	234
Property, plant and equipment	342	23	365
Inventories	3	–	3
Trade and other receivables (current)	29	–	29
Cash and cash equivalents	27	–	27
Trade and other payables (current)	(27)	(82)	(109)
Other payables (non-current)	(1)	–	(1)
Deferred tax liabilities	–	(53)	(53)
Total assets acquired	**373**	**122**	**495**

Consideration (including acquisition costs)	495
Amount owed by Calpine	5
	500

Satisfied by:	
Cash consideration paid	500
Cash and cash equivalents acquired	(27)
Net cash outflow to the Group	**473**

In the period from 28 July 2005 to 31 December 2005, Saltend contributed £187 million to revenue and £50 million to the Group's profit from operations. It also contributed £75 million to the Group's net operating cash flows and paid £7 million in respect of net finance costs.

The fair value adjustments are made to reflect the fair value of the net assets acquired and principally represent the recognition of the fair value of various contracts (included as intangible assets), the recognition of the plant at fair value and the recognition of out of the money power contracts. No goodwill arises on the acquisition. The fair values are considered provisional due to uncertainties arising from the vendor's Chapter 11 filing under the US Bankruptcy Code.

It is not possible to state what the impact on Group revenues and profit for the year would have been had the acquisition been completed on 1 January 2005 due to the difficulty in ascertaining what the valuation of the intangible assets and derivative liabilities and their corresponding amortisation profiles would have been at that time.

g) Valley Power

On 17 October 2005 IPM Eagle LLP completed the disposal of Valley Power Pty Ltd, the owner of a 300 MW peaking plant in Victoria, Australia, to Snowy Hydro Ltd. IPM acquired its interest in Valley Power as part of the acquisition of the international generation portfolio of Edison Mission Energy in December 2004. The divestment has been carried out as per an agreement with the Australian Competition and Consumer Commission (ACCC) reached at the time of the Edison Mission Energy acquisition. Valley Power was consolidated as a subsidiary in 2004 and 2005.

The details of the transaction and carrying amount of net assets are shown below:

	£m
Total assets	88
Total liabilities	(15)
Net assets disposed	**73**

Satisfied by:	
Cash consideration	**73**

h) Pego

On 13 December 2005 the Company acquired an additional 5% shareholding in the 600 MW Pego power plant and associated companies from EdF, increasing the Company's ownership to 50%.

i) Acquisition of subsidiaries net of cash and cash equivalents acquired

In addition to the net cash outflow to the Group of £473 million on the acquisition of Saltend, the £13 million cash consideration for the EME acquisition, not paid at 31 December 2004, was paid during 2005. Another £8 million was also spent on acquiring a further 5% of Turbogás. These combined purchases brought the total net cash and cash equivalents spent on the acquisition of subsidiaries to £494 million for the year.

j) Acquisition of investments in joint ventures and associates

The following net assets in joint ventures and associates were acquired during the year.

	Year ended 31 December 2005 £m
Net assets acquired	**58**
Satisfied by:	
Consideration	**58**
Cash consideration not yet paid at the balance sheet date	**(8)**
Net cash outflow to the Group	**50**

k) Proceeds from disposal of investments

The following investments were disposed of during the year.

	Year ended 31 December 2005 £m
Net assets disposed	**(131)**
Profit on disposal	**(7)**
	(138)
Satisfied by:	
Net cash inflow to the Group – cash consideration received at the balance sheet date	**(138)**

l) Fair value hindsight adjustments – acquisitions during 2004

The fair value of certain assets and liabilities associated with the purchase of Loy Yang B in Australia have been revised. This is due to the finalisation of the valuation of the long-term hedge agreement between Loy Yang B and the Victorian Government. The provision associated with this 'out of the money' contract has been increased by A$94 million (£38 million) from A$273 million (£111 million) to A$367 million (£149 million). An equal offsetting adjustment of A$94 million (£38 million) has been made to increase the fair value of the plant on acquisition. Corresponding deferred tax adjustments also net off such that there is no impact on goodwill or the fair value of total net assets acquired at Loy Yang B.

In addition, the fair value of certain acquired cap contracts, in relation to Valley Power and Loy Yang B, has been revised which has increased liabilities with a corresponding increase to the fair value of the plants on acquisition. The corresponding deferred tax adjustments also net off such that there is no impact on goodwill or the fair value of total net assets acquired at Loy Yang B and Valley Power.

Deferred tax adjustments have also been made to reflect the rebasing of the Loy Yang B assets for tax purposes with effect from 1 January 2004 as a consequence of entering into the new tax consolidation regime in Australia.